

The AT&T/MediaOne Merger

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Good Morning. My name is Jim Cicconi, and I am AT&T's General Counsel and Executive Vice President for Law and Government Affairs. I appreciate the opportunity you have given us today to discuss AT&T's merger with MediaOne and the benefits that it will bring to American consumers.

When Congress passed the Telecom Act of 1996, it sought to provide American consumers with choices in telecommunications services. But unfortunately, the plain fact today is that over 96% of America's residential customers still get local telephone service from the incumbent provider.

AT&T is leading the effort to change that fact. AT&T is committed – a commitment I might add that is backed by many billions of dollars -- to providing residential customers with a choice of local telephone and broadband service. Our very public business plan is to do so over cable facilities wherever possible, and we have made considerable progress

toward that end. Since acquiring TCI, AT&T has spent over \$2.7 billion to upgrade its cable systems to provide telephony services, and we are well on track to having more than 85% of the TCI network upgraded by the end of this year. In 1999, market trials of telephony services were launched in the Bay Area, Chicago, Pittsburgh, Dallas, Denver, Seattle, Salt Lake City and Portland. Today, AT&T is actually marketing and selling its telephony services in 13 cities in California, Illinois, Texas and Colorado. Because of AT&T's capital and telephony expertise, we were able to accomplish this much faster than TCI could have done on its own.

The customers in these cities are starting to see real benefits in the form of choice and lower prices. For example, AT&T in Fremont offers 2nd and 3rd telephone lines for only \$5.00/month—a significant discount off PacBell's second line rate of \$10.69/month. And because most of AT&T's customers order 2 lines or more to accommodate computers, fax machines, and

the ever-present teenager, this benefit is being widely sought and enjoyed.

The pending merger between AT&T and MediaOne is yet another step in this effort. Together, MediaOne and AT&T will bring video, voice, and data services to more communities, more quickly, and more cost-effectively than either one of us could have done on our own. For its part, MediaOne is contributing to the merger the all-important facilities to homes that AT&T could not duplicate without considerable expense, inefficiency, and delay. MediaOne is also bringing to the deal considerable technical expertise in the delivery of phone services over cable and the technological upgrading of cable networks.

AT&T will bring its brand name, resources, reputation and unparalleled experience that will ensure that telephony deployment over MediaOne's facilities is more certain, more

imminent and more successful than if MediaOne had continued on its own. Surveys have shown that consumers are much more likely to purchase telephone services from a long distance provider than from their cable company – in fact more than 3 times more likely. This reflects a very strong consumer preference for phone service with the highest levels of quality and reliability – attributes with which AT&T has become synonymous. Thus, having MediaOne’s facilities in AT&T’s hands will ensure that they realize their full competitive potential more quickly and more broadly than if MediaOne continues to operate independently.

The combined resources of AT&T and MediaOne will also create an entity which will have both the size and scope necessary to truly compete with the incumbent local phone monopolies. We are seeing clear indications in the market that they are taking us very seriously as a competitor. For example, in August, SBC announced that it would be offering discounted

packages that bundled voice, Internet and satellite TV services in Fremont, CA and Dallas, TX. The selection of those markets is hardly a coincidence. Those are two markets in which AT&T is aggressively pursuing a facilities-based broadband local entry strategy for residential customers.

Similarly, the local monopolies have sped up the introduction of high-speed DSL services in an unquestionable and direct response to AT&T's rollout of high-speed cable modem Internet services. By the end of 1999, the Bells and GTE had expanded the reach of their DSL services to 46 million homes. SBC alone is investing \$6 billion to reach 77 million customers (or 80% of its customer base) with DSL services by the end of 2002.

I am proud of AT&T's unparalleled commitment to building a competitive marketplace, particularly for the residential consumers. We know that the FCC is similarly committed to

fostering a robust, competitive environment, and we urge you to approve this merger quickly. We've seen it in long distance and we've seen it in wireless and we are now seeing it in the areas where AT&T has launched its cable telephony services. We'll soon see it across the full range of telecom services if the Commission continues to support pro-competitive mergers like the one being discussed today.

Thank you, and I look forward to answering your questions.